

Viet War Tax Boost Is Studied

By Bernard D. Nossiter
Washington Post Foreign Service

PARIS, Dec. 14—High Johnson Administration officials are seriously considering a substantial tax increase to pay for new spending on the war in Vietnam.

Qualified sources here disclosed today that Secretary of the Treasury Henry H. Fowler leans towards the proposed tax increase. Fowler is currently in Paris attending the meeting of NATO ministers.

The tax bite under consideration is reportedly on the order of several billion dollars. It might be proposed if, as is now expected, President Johnson approves a big increase in outlays for the Vietnam combat.

There are well-founded reports here that the increase in military spending in the new budget will exceed the largest estimates now circulating in Washington.

Fowler's own staff is known to have considerable misgivings about the tax plan. More important, Mr. Johnson has given no sign that he would favor any such move.

The case for a tax increase is said to rest on both economic and political grounds. The economic argument goes like this:

- A large increase in spending for Vietnam is about to take place as the Nation nears full employment of men and plants.

- This extra military demand threatens to push up prices unless it is offset in some fashion. Tighter credit could restrain spending but this would be a crude and unselective technique.

- Alternatively, the President could cut back on spending for the welfare programs that make up his Great Society. But that would leave him open to the charge that domestic welfare is being sacrificed for war spending.

So, the argument runs, increase income taxes. That

would mean that those best able to afford it would pay a proportionately bigger share for the war.

Fowler is known to believe that the seriousness of the war has not yet been understood, particularly in the business community. Thus, on political grounds, the tax increase would drive the point home.

But a key argument against any tax increase now is that it might weaken support for the war. It is feared that the total to be raised would be viewed as a "price tag" for Vietnam and that this would make the whole affair vulnerable.

In the end, the decision is likely to depend on just how much Mr. Johnson enlarges military spending.

(In Washington, some Administration economists expressed the view that a tax boost will be necessary if the budget grows by more than \$8 or \$9 billion in fiscal 1967. As a result of rapid economic growth, Federal tax revenues have been increasing by \$8-\$9 billion a year, providing a "fiscal dividend" from which welfare programs have been financed. An increase in the defense budget that exceeds the "fiscal dividend" would call for either higher taxes or a cutback in non-defense expenditures, to avoid inflationary pressures.)